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SBC Communications Inc.  
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Suite 1100  
Washington, DC 20005



April 10, 1997

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Federal Communications Commission  
Office of Secretary

EX PARTE

Mr. William F. Caton  
Acting Secretary  
Federal Communications Commission  
Mail Stop Code 1170  
1919 M Street, N.W., Room 222  
Washington, D.C. 20554

RE: CC Docket No. 96-128, Implementation of the Pay Telephone Reclassification and  
Compensation Provisions of the Telecommunications Act of 1996

AAD 97-12, In the Matter of Cost Allocation Manual Revision of Pacific Bell  
Telephone Co.

AAD 97-10, In the Matter of Cost Allocation Manual Revision of Nevada Bell  
Telephone Co.

Dear Mr. Caton:

Yesterday, April 9, 1997, Ms. Irene Lopez, Mr. Rod Stanley, and Mr. Victor Rable of Pacific Bell (by phone), Ms. Mary Ann Slayton and Ms. Sherry Barta of Nevada Bell (by phone), and Ms. Jeannie Fry and the undersigned, representing SBC Communications, Inc., spoke with Mr. Jose Rodriguez, Mr. Joe Watts, Mr. Bill Hill, Ms. Debbie Weber, and Ms. Colleen Nibbe of the Accounting and Audits Division regarding the regulated and nonregulated accounting to be followed by Pacific Bell and Nevada Bell in their CAMs with the deregulation of payphones. The meeting was an informal discussion of topics addressed in the CAMs and in the orders released in the above referenced proceedings. Attached is a copy of the handout used in the discussion.

Please include this letter and attachment in the record of these proceedings in accordance with Section 1.1206(a)(1) of the Commission's Rules.

No. of Copies rec'd. 0+3

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Acknowledgement and date of receipt of this transmittal are requested. A duplicate transmittal letter is attached for this purpose.

Please contact me on (202) 383-6424 if you have any questions concerning this matter.

Respectfully submitted,

A handwritten signature in cursive script, reading "Sheryl Herauf". The signature is fluid and elegant, with a long horizontal stroke at the end.

Sheryl L. Herauf  
Director, Federal Regulatory Relations

Attachment

cc: Mr. Jose Rodriguez  
Mr. Joe Watts  
Mr. Bill Hill  
Ms. Colleen Nibbe  
Ms. Debbie Weber  
Ms. Jeannie Fry

PACIFIC BELL  
NEVADA BELL

DEREGULATED PAYPHONE OPERATIONS

- ◆ Pacific Bell and Nevada Bell operate their payphone services on an integrated basis with the telephone company, through separate nonregulated divisions.
- ◆ These nonregulated divisions are Payphone Service Providers (PSPs), and are treated the same as any third-party PSP.

BASIC PAYPHONE SERVICE

- ◆ The PSP subscribes to a payphone access line offered by the LEC.

LEC: regulated revenue; credit Account 5001

PSP: nonregulated contra revenue (nonregulated expense);  
debit Account 5280

- ◆ Access lines may be “smart” or “dumb”
  - smart line used with dumb set: operational controls in CO
  - dumb line used with smart set: operational controls in CPE
- ◆ PSP earns nonregulated revenue (Account 5280) from:
  1. Local calls (local sent-paid)
    - Coins dropped in box
  2. Toll calls (toll sent-paid)
    - Coins dropped in box
  3. Long distance
    - Compensation paid to PSP from IXC to whom call is routed.
    - The IXC must track the calls.
    - Compensation can be
      - a. negotiated rate between the IXC and PSP for contracted call routing (default \$.35 per call)
      - b. per-call, default \$.35 per call
  4. PSP surcharges (CA only)
  5. O+ Compensation - may be paid by LEC to PSP for O+ calls routed to LEC

♦ LEC earns regulated revenue (Account 5001) from:

1. access line charges
2. MTS toll charges on sent-paid toll calls
3. O+ calls
  - MTS rate - regulated
  - operator surcharge - regulated

♦ Commissions are paid by PSPs to location providers (payment to allow CPE to be placed on property)

- Nonregulated expense, Account 6351

♦ PSP owns the CPE.

♦ Operator Services

- If payphone end user dials O+, end user pays operator surcharge plus cost of call.

Operator surcharge is LEC regulated revenue (collected via credit card or alternate billing). Account 5001

MTS rates for toll are regulated revenue, Account 5001

PSP surcharges - nonregulated revenue, Account 5280 (CA only)

- If payphone end user dials O (O-), cost included in basic access line, e.g., call O for information.
- PSPs can bypass LEC network and use other operator services on smart sets.

♦ Refunds

Refunds to payphone users are effected by the payphone user calling the PSP to arrange for the refund. The LEC will refer the caller on any calls received to check the placard on the payphone for refund instructions.

## INMATE PAYPHONE SERVICE

- ◆ Inmate service can be offered by any PSP.
- ◆ CPE is placed on an access line, the same as any payphone (LEC regulated revenue, PSP nonregulated contra revenue)
  - The inmate access line provides additional blocking capability from the normal COPT line.
- ◆ CPE features may be different for inmate service.
  - Features are determined by the site owner.
  - The PSP configures the CPE to the site owner's specifications.

### Examples of available inmate features:

1. block incoming calls
  2. allow collect calls only
  3. allow local calls only
  4. time of day blocking
  5. called number blocking
  6. call detail reporting
- etc.
- ◆ PSP owns or leases all CPE.

◆ Operator Services

- All O+ calls accounted for the same as O+ calls from a regular payphone, PLUS applicable PSP surcharges (CA only)
- Inmate CPE can route calls direct to end user.
- If inmate dials 1+, call is intercepted as "call can't be completed as dialed".
- Generic Store & Forward
  1. end user dials O+
  2. box calls called party as 1+ and asks if charges will be accepted
  3. if charges accepted, box connects call; if charges not accepted, PSP is charged the 1+ MTS rate, no charge to called party.
  4. billing done to called party at operator assisted rates (nonregulated revenue to PSP)
  5. operator assisted rates set by PSP
  6. PSP is billed MTS rates (regulated revenue to LEC)

◆ Uncollectibles on O+

- Example: Called party agrees to receive charges, call connected, call then disputed. LEC writes off call.
  - regulated elements covered by the normal LEC uncollectible accrual (operator services surcharge and MTS)
  - nonregulated elements assessed to PSP in the calculation of PSP surcharge net revenues
- Nonregulated revenues received by PSP for PSP surcharges (CA only) are NET for uncollectibles and billing and collection charges.